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NO.: ~~CA-5XXX~~ A-358 January 15, 1957

SUBJECT: Restrictions on Showing of American Motion Pictures in Japan.

TO: The American Embassy, TOKYO

Reference Tokyo despatch 508 of November 20, 1956.

The Department desires to be informed as expeditiously as possible of the results of the Foreign Ministry's investigation of the recent Finance Ministry's regulation limiting the period during which American motion pictures may be exhibited in Japan. It concurs with the Embassy's opinion that this regulation appears to violate the United States-Japanese Treaty of Friendship, Commerce and Navigation by denying "national treatment". The Department also believes that the new regulation probably contravenes paragraph 1, Article III of the GATT which reads as follows:

> "1. The Contracting parties recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production."

A disturbing aspect of the case is the possible willingness of the Motion Picture Exporters' Association (MPEA) to accept a compromise arrangement which would be inconsistent with the FCN Treaty and GATT. Such an arrangement might prejudice future US complaints of FCN Treaty and GATT violations by Japan, and the Department is anxious that it be avoided, if possible. Departmental officers have been in touch with MPEA representatives in the United States and it is understood Mr. Hochstedder has been instructed to work closely with the Embassy on this matter.

Among eventual courses of action being considered by the Department is presentation to the Japanese Government of a note formally protesting this regulation. The Embassy's views regarding the desirability and possible effect of such action are requested. Meanwhile, the Embassy should continue to make such informal representations as are appropriate.

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DRAFTED BY: ITR:TAD:CHand:ggd 1-15-57
FE:NA:RBPeters:prg

APPROVED BY: J. M. C. Hand

CLEARANCES:
L/E (in substance) NA TAD - Mr. Sullivan (in substance)